



Transportation Services Branch
Transportation and Marketing Programs
Agricultural Marketing Service
U.S. Department of Agriculture

Transportation Indicators for the Agricultural Containerized Shipping Industry

First Quarter 2004

(January-March)

Issued May 2004

Issued May 2007

Indicator agricultural products U.S. to Asia	Current	% change	
		Last quarter	Last year
Rates - 1st Quarter 2004			
Refrigerated shipments ¹	\$3,545	(2%)	10%
Dry shipments ²	\$1,271	(10%)	(8%)
Surcharges			
Bunker (fuel) Adjustment Factor ¹	\$185	(17%)	0%
Currency Adjustment Factor ³	45%	7%	13%
Volume - January 2004			
Outbound shipments ⁴	89 ⁵	(10%) ⁵	(5%) ⁵
Capacity - 4th Quarter 2003, all products			
Container slots available ⁴	1,645	12%	21%
Container slots used ⁴	985	12%	20%
% of container slots used	60%	(0.1%)	(0.5%)

¹per 40-foot container ²per 20-foot container ³for shipments to Japan only ⁴thousand 20-foot containers

⁵monthly data presented, not quarterly

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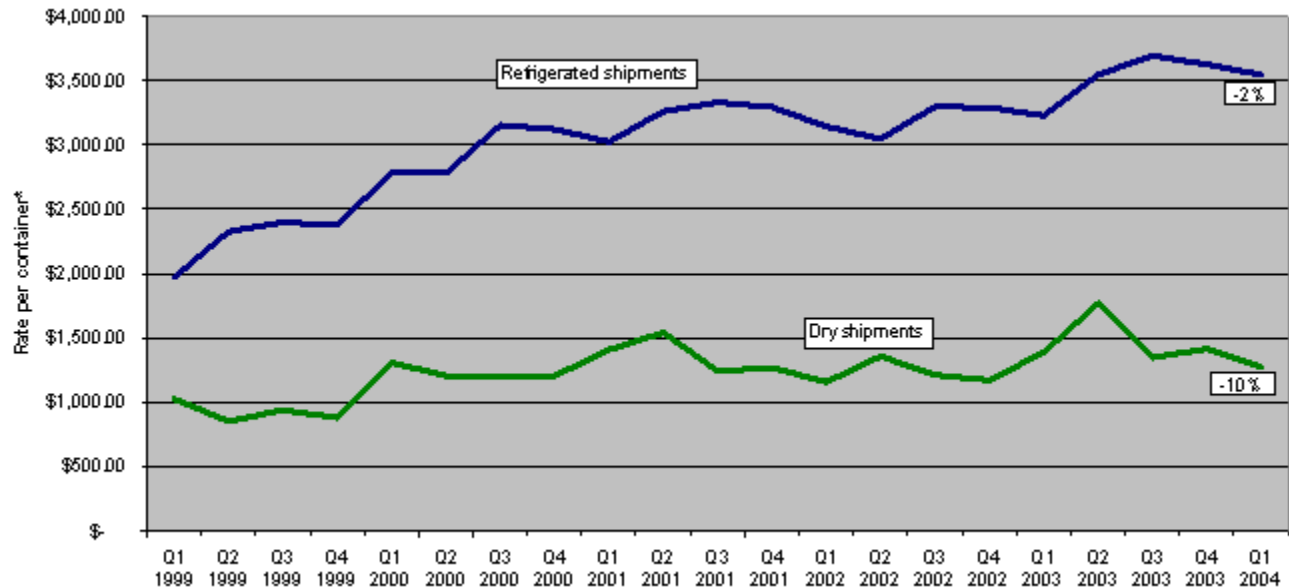
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Container Rates: Agricultural Shipments

Refrigerated and dry commodities, United States to Asia



*Refrigerated rates are for 40-foot containers. Dry rates are for 20-foot containers.

The indicators above are indices based on a group of tariff rates for commodities tracked quarterly in the *Ocean Rate Bulletin*. Rates are weighted by market share for each shipping line, trade lane, and commodity. The refrigerated rate index includes: poultry, lettuce, frozen potatoes, grapes, apples, and oranges. The dry rate index includes: almonds, animal feed, pistachios, raisins, soybeans, and lentils. Rates include all surcharges and are calculated on a typical shipment for each commodity. See the list of [Asian countries](#) used in determining the refrigerated and dry rates.

Source: *Ocean Rate Bulletin*, USDA/AMS, www.ams.usda.gov/tmd/ocean, 1999-2004

Refrigerated Rates Decline Slightly. During quarter 1, 2004, refrigerated tariff rates declined by 2 percent, while rates for dry commodities declined by 10 percent, compared with the previous quarter. Quarter 1, 2004, rates, compared with quarter 1, 2003, are up 10 percent and down 8 percent for refrigerated and dry commodities, respectively. The small fluctuations have left rates for refrigerated commodities 10 percent higher than those published during quarter 1, 2003. This is consistent with the Westbound Transpacific Stabilization Agreement's (WTSA) desire to increase rates for refrigerated commodities due to relatively high costs of equipment and monitoring.

Carriers Seek Rate Hikes. The WTSA recently announced its recommended General Rate Increases (GRI) for agricultural products during quarter 2, 2004. The WTSA has recommended GRIs for chilled apples and pears, stone fruit, and frozen and chilled beef and pork to be announced at a later date. The WTSA is a discussion group of major ocean carrier shipping lines operating in the U.S. to Asia trade lane. Member carriers discuss market situations, rates, and service availability. GRIs for refrigerated commodities could be caused by the U.S./Asia equipment imbalance and the start of the summer shipping season. Significant amounts of U.S. exports to Asia are refrigerated, whereas imports to the United States are mostly dry products. In an attempt to reposition these refrigerated containers to the United States, shipping lines must ship them empty or with dry cargo at a discounted rate; either scenario is costly to the shipping line.

So what? (follow this link to expand)

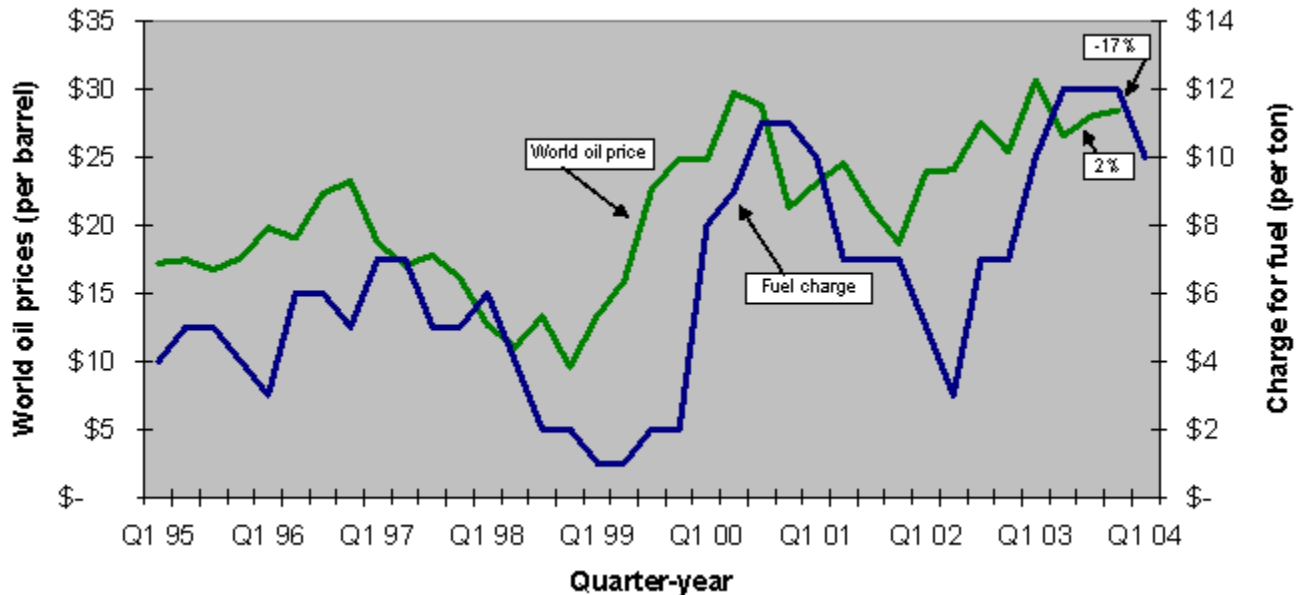
What is a container rate? (follow this link to expand)

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Surcharges: Bunker Adjustment Factor A Special Charge for Fuel

Bunker Adjustment Factor surcharge, compared with world oil prices



Sources: World Oil Prices: http://tonto.eia.doe.gov/oog/info/twip/twip_crude.html
Bunker Adjustment Factor: Ocean Rate Bulletin, USDA, www.ams.usda.gov/tmd/ocean

Fuel Surcharges Move Back to \$12 per Metric Ton. The \$2 decrease in fuel surcharges, which was in effect for quarter 1, 2004 (*Ocean Rate Bulletin*), will be added back for quarter 2, 2004, according to publicly filed tariff rates and recommendations from the Westbound Transportation Stabilization Agreement (WTSA). This increase will add \$45 to the cost of shipping a 40-foot container. The small relief enjoyed in quarter 1, 2004, by agricultural exporters is over and could deteriorate further as crude oil prices are likely to remain high and volatile through the summer travel season. "The potential for price spikes remains a danger, given the uncertainty of the Organization of Petroleum Exporting Countries production levels and the uncertainties surrounding the continued recovery of output and exports from Iraq as well as political unrest in Venezuela" (*Short-Term Energy Outlook*, April 2004, Department of Energy).

World crude oil prices averaged \$28 per barrel in 2003, and prices in 2004, are expected to average \$33 per barrel, \$5 above last year's overall rate. (On May 14, world oil prices approached \$40 per barrel.) The 17-percent decrease in quarter 1 is a reflection of the stability in fuel prices during quarters 3 and 4 of 2003, when the WTSA made its projections. The increases to offset the rise in world oil prices are already reflected in recommended quarter 2 Bunker Adjustment Factor (BAF) levels of \$10 per metric ton (see Bunker Adjustment Factor table).

Bunker Adjustment Factor		
Rate	Quarter 1	Quarter 2
Per 40-foot container	\$185	\$230
Per 20-foot container	\$148	\$185
Per ton	\$10	\$12

So What? (follow this link to expand)

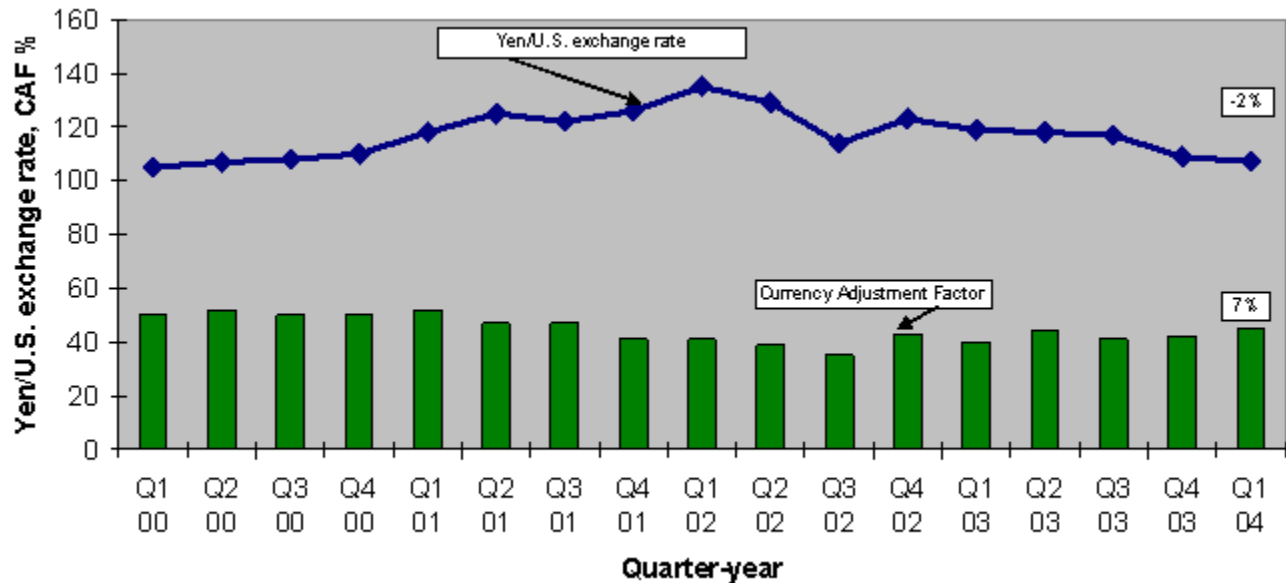
What is the BAF? (follow this link to expand)

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Surcharges: Currency Adjustment Factor (Japan)

Comparison of the yen/dollar exchange rate with the Currency Adjustment Factor (CAF) for shipments to Japan



Sources: Federal Reserve Statistical Release, Foreign Exchange Rates, Historical Data <http://www.federalreserve.gov/releases/H10/hist/>; Ocean Rate Bulletin, AMS, 2000-2004

Weak Dollar Pushes Rates Higher. Carriers raised Currency Adjustment Factor (CAF) surcharges 3 percentage points to 45 percent for shipments to Japan during quarter 1, 2004. This increase reflects the continued weakening of the U.S. dollar. However, the movement of world exchange rates is potentially beneficial for U.S. agricultural exports since exports are expected to be more competitive in world markets as this depreciation is felt in 2004.

Members of the Westbound Transpacific Stabilization Agreement (WTSA) have recommended a 54-percent CAF for shipments to Japan during quarter 2, 2004. This is an increase of 9 percentage points, compared with quarter 1. A 9-percentage-point increase in CAF surcharges results in an approximate \$230 increase for 40-foot refrigerated containers and \$80 increase for 40-foot dry containers.* The WTSA has also recommended an increase in CAF surcharges for exports to Taiwan and Singapore of 1 and 2 percentage points, respectively (see Currency Adjustment Factor table).

Currency Adjustment Factor		
Country	Quarter 1	Quarter 2 (WTSA)
Japan	45%	54%
Singapore	8%	10%
Taiwan	4%	5%

So what? (follow this link to expand)

What is the CAF? (follow this link to expand)

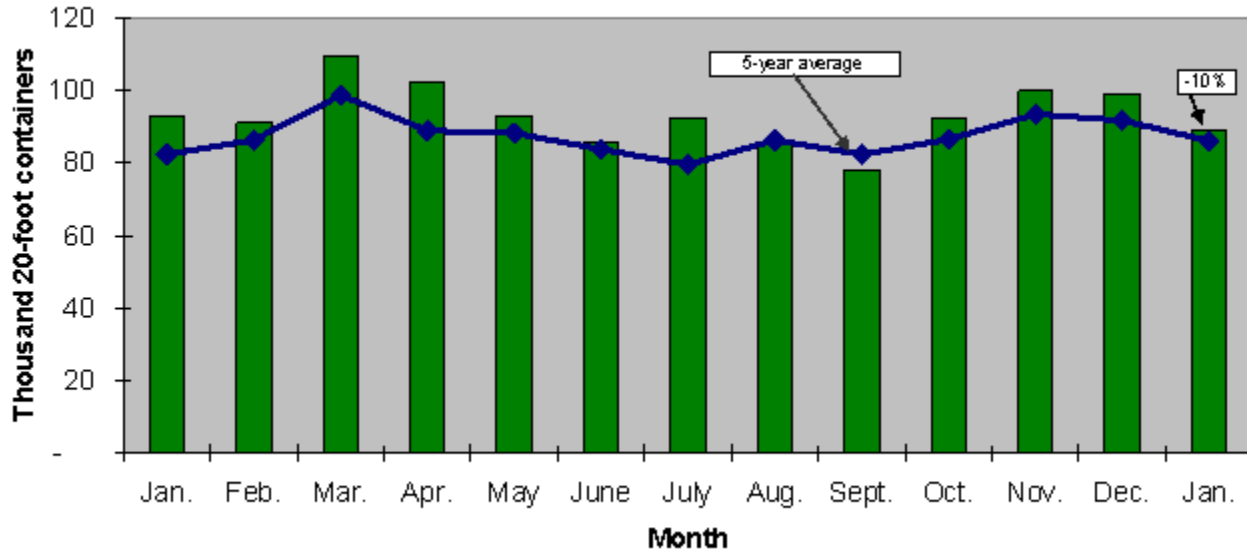
*Rate increases estimated from frozen poultry and hay shipments, respectively.

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Outbound Volume: Agricultural Shipments

Containerized agricultural products, United States to Asia



Source: Port Import Export Reporting Service (PIERS), *Journal of Commerce*, New York, 2003 and 2004
 See a list of [Asian countries](#) used to calculate the volume numbers above.

Sagging Beef Sales, a Drag on Export Volumes. Containerized agricultural shipments to Asia in January dropped 10 percent from December 2003. This decline is slightly more than the downward trend reflected in the 5-year average. Stronger prices and reduced export competition for corn and wheat, higher soybean and horticultural exports, and depreciation of the U.S. dollar largely offset a reduction in beef and cattle product exports.

In terms of value, USDA reports January export values of red meat and red meat products are down 60 percent from December 2003. Export values for meat, poultry, etc. (\$379 million) were the lowest since November 1993 (\$372 million). Total January exports to Japan (\$4.0 billion), the number one market for U.S. fresh and frozen beef, were the lowest since January 2003 (\$3.9 billion). (Monthly Trade Highlights, January 2004, U.S. Census Bureau)

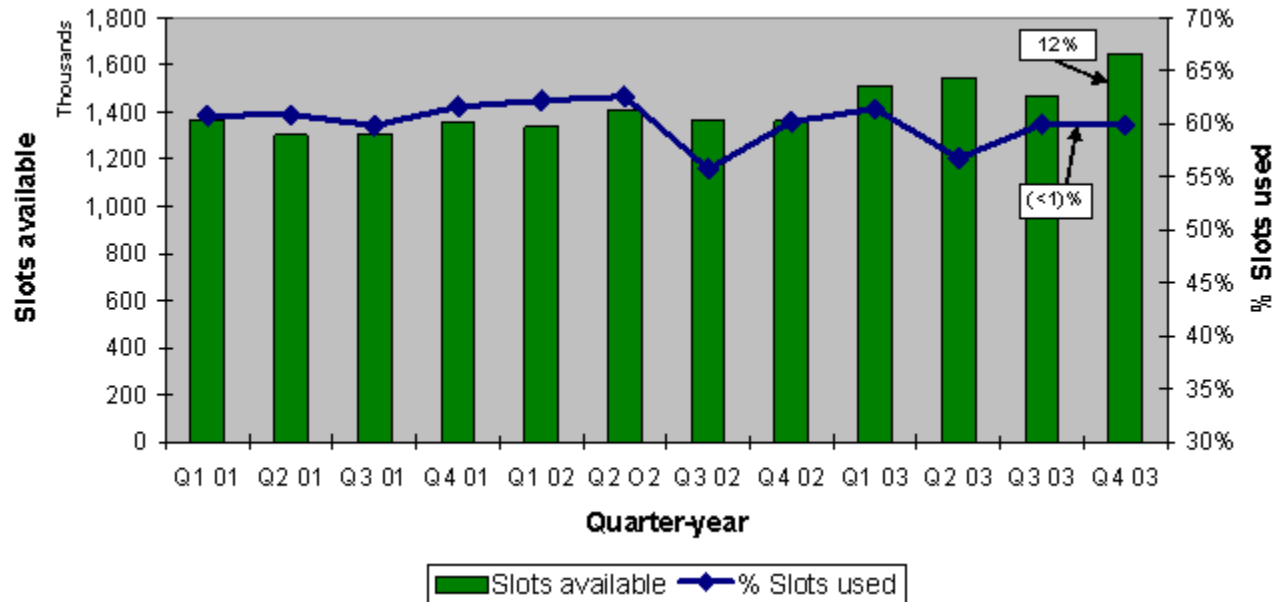
So what? (follow this link to expand)

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Capacity and Utilization

Outbound container slots available vs. slots used, United States to Asia



Source: On Board Review, PIERS, New York, 2001-2003

Relatively No Change in the Percentage of Slots Used During Quarter 4, 2003. The number of slots available and the number of slots used during quarter 4, 2003, increased simultaneously, reflecting relatively no change in the percentage of slots used. Carriers are responding to the increase in overall volumes being moved by increasing their vessel capacity to absorb the growing commerce. Industry publications report that top ship builders will increase the number of vessels as well as vessel capacity within the next 5 years. Estimates say the world container ship fleet could reach 10 million 20-foot equivalent units by the end of 2007, increasing approximately 12 percent per year for the next 3 years.

So what? (follow this link to expand)

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Container Rates: Agricultural Shipments General Rate Increases

Refrigerated and dry shipments

Commodity	Destination port	GRI	Shipping line	Effective date	Old rate	New rate
Refrigerated commodities						
East Coast grapefruit	Le Havre	\$0.13/pkg	Maersk Sealand	1/1/2004	\$3.59/pkg	\$3.72/pkg
East Coast grapefruit	Rotterdam	\$0.13/pkg	Maersk Sealand	1/1/2004	\$3.59/pkg	\$3.72/pkg
East Coast grapefruit	Le Havre	\$0.13/pkg	P&O Nedlloyd	1/1/2004	\$3.59/pkg	\$3.72/pkg
East Coast grapefruit	Rotterdam	\$0.13/pkg	P&O Nedlloyd	1/1/2004	\$3.59/pkg	\$3.72/pkg
East Coast poultry	Gdynia	\$150	Maersk Sealand	1/1/2004	\$5,350	\$5,500
Frozen potatoes	Bangkok	\$300	Evergreen	1/1/2004	\$3,100	\$3,400
Frozen potatoes	Hong Kong	\$300	Evergreen	1/1/2004	\$2,700	\$3,000
Frozen potatoes	Jakarta	\$300	Evergreen	1/1/2004	\$3,100	\$3,400
Frozen potatoes	Keelung	\$300	Evergreen	1/1/2004	\$2,700	\$3,000
Frozen potatoes	Pt. Kelang	\$300	Evergreen	1/1/2004	\$3,100	\$3,400
Frozen potatoes	Shanghai	\$300	Evergreen	1/1/2004	\$1,950	\$2,250
Frozen potatoes	Tokyo	\$300	Evergreen	1/1/2004	\$2,800	\$3,100
Frozen potatoes	Shanghai	\$300	Cosco	1/1/2004	\$2,500	\$2,800
Frozen potatoes	Tokyo	\$300	Cosco	1/1/2004	\$2,500	\$2,800
Frozen potatoes	Manila	\$500	APL	1/1/2004	\$3,050	\$3,550
Oranges	Hong Kong	\$100	Maersk Sealand	1/1/2004	\$3,400	\$3,500
Oranges	Busan	\$250	APL	1/1/2004	\$2,650	\$2,900
Raw cotton	Keelung	\$300	APL	1/1/2004	\$1,550	\$1,850
Wine	Antwerp	\$8/kt	Maersk Sealand	1/1/2004	\$529/kt	\$537/kt
Wine	Felixstowe	\$8/kt	Maersk Sealand	1/1/2004	\$512/kt	\$520/kt
Wine	Rotterdam	\$8/kt	Maersk Sealand	1/1/2004	\$529/kt	\$537/kt
Wine	Antwerp	\$8/kt	P&O Nedlloyd	1/1/2004	\$529/kt	\$537/kt

Dry commodities

Hay	Tokyo	\$100	Cosco	1/1/2004	\$950	\$1,050
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Source: Various shipping line Web sites, Federal Maritime Commission

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Sources and Related Information

Sources

Rates and surcharges reported in the AgCI are taken from the [Ocean Rate Bulletin](#) (ORB).

The ORB offers a side-by-side comparison of rates for high-valued containerized agricultural commodities using actual shipping line market share.

- Exchange rates compiled by the [Federal Reserve](#)
- Fuel price data compiled by the [Energy Information Administration of the Department of Energy](#)
- Surcharge information provided by the Westbound Transpacific Stabilization Agreement Web site at www.wtsacarriers.org/charges.html

Volume data reported in the AgCI are taken from the Port Import Export Reporting Service (PIERS), a product of the *Journal of Commerce*.

Trade Data:

- Department of Commerce, U.S. Census Bureau
- USDA Foreign Agricultural Service and Economic Research Service

Capacity and utilization data used in the AgCI are sourced from the *On Board Review*, a product of PIERS and the *Journal of Commerce*.

Additional Resources:

[Agricultural Ocean Transportation Trends](#) (semiannual publication)

[Identity Preserved Grain, A Logistical Overview](#) (.pdf)

[Federal Maritime Commission](#)



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Background Data and Calculations

Rate data represent shipments to the following Asian ports: Bangkok, Busan/Pusan, Ho Chi Minh City, Hong Kong, Jakarta, Keelung/Koahsiung, Manila, Port Kelang, Singapore, and Tokyo/Yokohama.

Volume data represent exports shipped to the following Asian countries: Japan, Korea, China, Hong Kong, Taiwan, Indonesia, Thailand, the Philippines, India, Malaysia, Singapore, Saudi Arabia, the United Arab Emirates, Pakistan, Israel, Bangladesh, Kuwait, Vietnam, Lebanon, Jordan, Sri Lanka, Bahrain, Yemen, Qatar, Oman, North Korea, Syria, Cambodia, Burma, Macau, Brunei, Nepal, Iran, and Mongolia.



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